



Fairfax County Internal Audit Office

**McLean Community Center
Business Process Audit
Final Report**

October 2015

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the McLean Community Center (MCC). The audit included review of procurement cards; FOCUS marketplace cards; purchase orders, non-purchase orders, value line purchase order payments, and monthly reconciliations.

We found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions had adequate evidence of compliance with county policy. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Monthly FOCUS reconciliations were not performed timely and not documented properly.
- There was no evidence to indicate that a weekly review of FOCUS marketplace transactions was performed.
- Procurement card transaction logs were not adequately maintained for 5 of the 35 transactions tested.
- MCC did not reclassify charges in the p-card clearing account in a timely manner.
- A copy of the Cash Management Plan was not submitted to the Department of Finance (DOF) for approval.

Scope and Objectives

This audit was performed as part of our fiscal year 2016 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review the MCC's compliance with county policies for purchasing processes and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included transactions from procurement cards, FOCUS marketplace cards, purchase orders, and non-purchase orders that occurred during the period of July 1, 2014, through June 30, 2015. For that period, the department's purchases were \$448,821 for procurement cards, \$13,777 for FOCUS marketplace, \$772,780 for purchase orders, and \$686,040 for non-purchase order payments.

Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. Our audit approach included an examination of expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

Findings, Recommendations, and Management Response

1. Monthly FOCUS Reconciliation

MCC did not perform regular, timely reviews of their revenue and P-card reconciliations. Additionally, MCC did not use the Reconciliation Certification Form to document the completion of the reconciliation.

Procedural Memorandum (PM) 12-02 states that: "Agencies are required to reconcile to FOCUS on a monthly basis." PM 12-16 provides that: "Each month the agency must reconcile transactions posted to FOCUS. Reconciliation paperwork should be signed and dated to provide evidence that the reconciliation was completed and approved, and that proper separation of duties controls are in place."

Furthermore, Accounting Technical Bulletin (ATB) 020 states that departments must "record completion of the monthly reconciliation on the Reconciliation Certification Form (ATB 020-A) and retain for audit review."

Failure to perform and document a monthly reconciliation of revenue and expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: MCC should perform a monthly reconciliation of all transactions posted to FOCUS. Completion of the reconciliation should be documented using the Reconciliation Certification Form required by ATB 020-A.

Management Response: MCC will run the P-card report weekly and will notify all the employees who have not turned in receipts to verify the charges are accurate. MCC will also make it mandatory that all receipts be turned in before a P-card can be checked out for future purchases. MCC has now set the deadline that all reconciliations be complete by the 21st of the following month. The Comptroller will now be reviewing, signing and dating the Reconciliation Certification Form when all monthly reconciliations are complete. Management anticipates completion of this item by October 6, 2015.

2. Weekly FOCUS Marketplace Procurement Card Transaction Report Review

There was no evidence to indicate that a weekly review of FOCUS marketplace procurement card usage was being completed. PM 12-02 requires that all agencies review weekly transaction reports for unusual or unauthorized transactions.

Failure to review the weekly transaction reports increases the risk that inappropriate purchases will not be identified in a timely manner.

Recommendation: We recommend MCC perform and document weekly reviews of FOCUS marketplace procurement card transaction reports which contain all items posted in FOCUS for the prior week.

Management Response: Office Manager and HR Specialist will continue to review FOCUS Marketplace transactions from the prior week. MCC will also sign and date the weekly transaction report. Management anticipates completion of this item by October 6, 2015.

3. Transaction Logs

The card activity log was not a complete reflection of the department's procurement card spending. We noted that 5 of 35 transactions tested were either not accurately recorded or were completely omitted from the transaction log.

PM 12-02 indicates that a system that tracks expenditures as they occur must be in place. Agencies may use an appropriate manual or computer log to record both debit and credit transactions. Entries must be contemporaneous to give up-to-date information on funds expended and the applicable card user.

Recommendation: We recommend MCC maintain a transaction log which accurately reflects all procurement card activity, to ensure that card use is properly monitored.

Management Response: MCC discussed the issue with the employees who failed to record their transactions in the log. MCC will continue to check the log weekly and suspend card privileges if the employees don't adhere to said policy. Management anticipates completion of this item by October 6, 2015.

4. P-card Clearing Account

Transactions in 4 out of 12 months reviewed were not being reclassified out of the procurement card clearing account in a timely manner. PM 12-02 requires that whenever a card billing is posted to a clearing account all charges should be moved to the appropriate expenditure account at least monthly.

Failure to properly classify procurement card expenses in a timely manner misstates departmental financial reports, increasing the risk of management making decisions based on inaccurate financial information.

Recommendation: Transactions posted to a procurement card clearing account should be reclassified to the proper expenditure account on at least a monthly basis in accordance with PM 12-02.

Management Response: MCC will run the P-card report and notify all the employees who have not turned in receipts to verify that the charges are accurate. Transactions posted to the procurement card clearing account will be reclassified to the proper expenditure account on a monthly basis. Management anticipates completion of this item by October 6, 2015.

5. Cash Management Plan

While MCC had a cash management plan, it was not submitted to DOF for approval. ATB 40070 requires that agencies: "Maintain proper internal controls and have written procedures approved by DOF, for processing monetary items."

Failure to obtain approval of the Cash Management Plan increases the risk of processing monetary items incompletely or inaccurately. It also increases the risk of processing monetary items that are not in compliance with county policy.

Recommendation: MCC should submit their Cash Management Plan for Processing Monetary Receipts to DOF for approval. A signed copy of the approval from DOF should be maintained on file.

Management Response: MCC has updated their Cash Management Plan and will be submitting it to DOF for approval. Management anticipates completion of this item by October 6, 2015.